

(continued)

pharmacy contractor. This contractor provides drugs at a cost of less than or equal to that available through the Minnesota Multi-State Contracting Alliance for Pharmacy.

3. DPHHS would need to contract with an entity (wholesaler) to provide bulk prices to distribute the products. It is estimated that the cost of the contract would be approximately \$1,609,000 (3% of the total cost of drugs), based on typical wholesaler charges of 3-5 percent to perform this type of activity.
4. Additional costs include claims processing system programming changes of \$24,000 in FY 2002 and drug file update charges of \$10,000 per year. Three additional staff will be needed including: 1.00 FTE Grade 12, maintain pricing file (\$29,562 each year); 1.00 FTE Grade 15, contract monitor (\$37,557 each year); and 1.00 FTE Grade 11, provider relations/administrative support (\$27,367 each year). For each FTE an additional cost of \$2,000 for operations each year and \$4,000 for equipment for the first year.
5. To provide the bulk priced drugs through local pharmacies would require an increase to the dispensing fee of approximately \$4.80 per prescription for a total increased cost of \$5,937,600 per year.
6. The funding for administrative costs are 50 percent general fund and 50 percent federal special revenue.
7. The funding for benefits is 27.12 percent general fund and 72.88 percent federal special revenue in FY 2002 and 26.98 percent general fund and 73.02 percent federal special revenue in FY 2003.

FISCAL IMPACT:

	FY2002 <u>Difference</u>	FY2003 <u>Difference</u>
FTE	3.00	3.00

Expenditures:

Personal Services	94,486	94,486
Operating Expenses	1,661,000	1,625,000
Benefits	<u>(406,155)</u>	<u>(406,155)</u>
TOTAL	\$1,349,331	\$1,313,331

Funding:

General Fund (01)	\$767,594	\$750,162
Federal Special Revenue (03)	<u>\$581,737</u>	<u>\$563,169</u>
TOTAL	\$1,349,331	\$1,313,331

Net Impact to Fund Balance (Revenue minus Expenditure):

General Fund (01)	(\$767,594)	(\$750,162)
Federal Special Revenue (03)	(\$581,737)	(\$563,169)

TECHNICAL NOTES:

1. For purposes of this fiscal note, it is assumed that the coordinated bulk ordering program and the facilities mentioned in subsection (3) would fit within the department's current system of distributing drugs through community pharmacies.
2. A single bulk purchasing entity would probably be unable to provide all the drug products needed by Medicaid individuals.